

OMAN REFRESHMENT COMPANY SAOG

Management Discussion and Analysis Report - 2025

Business activities of the Company

Oman Refreshment Company SAOG (“ORC” or “the Company”) is engaged in the production, filling, and distribution of soft drinks, bottled water, juices, and a range of consumer-packaged goods across the Sultanate of Oman. The Company holds the franchise rights to produce, fill, and distribute the PepsiCo portfolio of soft drinks and Aquafina water, Lay’s snack products, Quaker oat-based items, Lavazza branded coffee items, Eurocake and EDITA bakery products, Froneri ice-cream brands (including Nestlé and Mondelez), and certain other consumer-packaged goods categories. The Company also produces and markets juices under its own brand, “Topfruit.”

Established in 1975 as a joint stock company, ORC began with modest production and bottling facilities that have been progressively expanded in line with market

demand and long-term business growth strategies. Today, the Company operates purpose-built production and bottling facilities and central warehousing in Al Ghubrah, Muscat, supported by its largest distribution centre in Al-Ansab. A network of depots located in Al Wafi, Ibri, Nizwa, Sohar, Salalah, Bukha, Hima, and Musannah enables efficient coverage and service to customers throughout the Sultanate.

In 2021, the Company acquired Atlas Bottling Corporation (ABC), PepsiCo’s bottling operations in Algeria—Africa’s most populous country—together with the exclusive rights for bottling and distribution across the Algerian market. ABC operates a manufacturing facility in Algiers equipped with four production lines, supported by two distribution centres serving key market regions

Both our Oman and Algerian operations uphold best-in-class quality and safety standards and maintain all internationally recognized and locally mandated certifications, reflecting the Company’s strong commitment to consumer trust and product excellence.

Overall Review

The ORC Parent Company achieved a net profit after tax of A 2,271,825 on a turnover of A 46,292,527 during the year 2025 against a net loss after tax of A (3,986,751) on a turnover of A 40,870,748 in 2024, registering an increase in the net profit after tax by 157% and an increase in turnover by 13.3%

At the ORC Group consolidated, the group achieved a net profit after tax of A 3,869,269 on a turnover of A 68,632,135 during the year 2025 against a net loss after tax of A (2,775,270) on a turnover of A 63,369,118 in 2024, registering an increase in the net profit after tax by 239% and increase in turnover by 8.3%.

Forward-looking Statements

This report contains opinions and forward-looking statements, which may be identified by their use of words like “plans”, “expects”, “will”, “anticipates”, “believes”, “intends”, “projects”, “estimates” or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company’s strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements.

Shareholders and readers are cautioned on the data and information external to the Company, that though they are based on sources believed to be reliable; no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same.

Further, the following discussion reflects the perceptions on major issues as on date and the opinions expressed herein are subject to change. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

Operating Environment

The year 2025 saw continued progress in Oman's economic transformation under Vision 2040, with ongoing reforms strengthening the foundations for sustainable, long-term growth. The Government's commitment to diversification, private-sector development, and financial discipline continued to move the national economy in a positive direction.

In this evolving business environment, the fast-moving consumer goods sector remained active and increasingly competitive as consumer choice continued to expand. Our Company focused on capturing opportunities through stronger commercial execution, deeper customer partnerships, and enhanced brand visibility. Despite a demanding and highly competitive market, we continue to strengthen our resilience, improve efficiencies, and reinforce our capabilities to support future growth.

The business delivered a recovery in revenue and profitability during the year. However, the continued availability of imported products across multiple channels intensified competitive pressures, leading to tighter consumer pricing and higher investments in advertising and promotions, which weighed on operating margins. Margins were further affected by increases in key commodity prices and rising logistics costs.

In addition to the regional competitive landscape, the evolving employment environment has created further operational pressures. A shortage of skilled Omani talent, limited availability of expatriate hires, and the continued movement of experienced Omani professionals to government roles have made it increasingly challenging to fill specialized positions, contributing to higher recruitment and wage costs.

Furthermore, the excise tax on selected products—including carbonated soft drinks and energy drinks, which remain key revenue drivers—continues to influence category performance and has contributed to contracted revenue growth.

Since its inception, the Company has played a leading role in Oman's soft drinks and beverages sector and continues to be a key player in the market. Beyond the PepsiCo beverage portfolio, our nationwide distribution network has introduced a wide range of products in the beverages and juices category over the years. Supported by strong customer relationships, our brands continue to enjoy loyal consumer patronage.

Demand in Oman's market remains supported by population growth, while the food category presents attractive opportunities as consumers increasingly seek

quality, diverse, and health-conscious packaged products. In partnership with PepsiCo, the Company expanded its offerings to include products such as Gatorade,

Lipton Ice-Tea (PET), reduced-sugar & zero sugar carbonated beverages, and additionally no-added-sugar juices, cereals etc.

Despite rising input costs and a challenging labor environment, the Company continues to focus on minimizing the impact on consumers by driving efficiencies

through cost-control and optimization initiatives.

The company continues to tread carefully in its “business expansion and product diversification” journey to cater to different consumer segments to meet the occasion-based consumption needs and diverse consumer tastes.

Opportunities and threats

The Company remains a significant player in Oman’s beverages market and a prominent participant in the snacks segment. Competitive pressures within the carbonated soft drinks (CSD) category have intensified, influenced in part by geopolitical factors and the increasing availability of imported alternatives across multiple channels. The CSD market also continues to face competition from dairy products, juices, and other beverage segments that are gaining consumer preference. The earlier introduction of excise tax, followed by value added tax on a broad range of sugary products—including juices, other beverages, and snacks

—has further strengthened competitive pressures across key revenue-generating categories.

The Company has strengthened its position in the juice beverage market through the introduction of a refreshed no-added-sugar juice range, supported by a

complete rebranding that features new packaging and an enhanced taste profile. As consumer preferences continue to shift and health consciousness rises, the Company has expanded its ‘Good for You’ and ‘Better for You’ propositions to meet evolving market demand.

While the Company maintains a leadership position in the CSD category despite the availability of imported alternatives, it continues to face strong competition

across the water, juice, snacks, and ice-cream segments. Looking ahead, the Company aims to further widen its consumer base and strengthen its revenue streams by broadening its food and beverage portfolio and exploring additional products aligned with the needs of our consumers.

The company operating environment fosters performance-based management culture in the Organisation, the Company is continuing to attract, develop & retain the best available local talent in line with its business requirements. Volatile international prices of commodities, which are key input raw materials to the Company's products, may impact the current and future profitability. The company is closely monitoring the raw material prices and endeavours to minimize their adverse impact through proactive analysis and decision making. Further, the Company is also watchful of the ever-changing regional as well as global geo-political situation and ongoing changes in the regional economics.

On the other hand, stagnant consumer prices at multiple customer channels, raising trade margins pressure are severely affecting the “market driven offset mechanism” to absorb the impact of rising input & labour costs. The Company works closely with the respective authorities and other market players to address this issue for the overall benefit of the Omani consumers and economy.

The Company has well-defined marketing strategy, working in coordination with “PepsiCo” and its other partners, aimed at diversifying its revenue base by re-inventing its core products and expanding its product portfolio to cater to the diverse consumer preferences and tastes in careful co-ordination with other key principals.

The Company continued to build on the investments made in 2024, including the successful implementation of an enhanced Sales Force Automation (SFA) platform and the SAP system, both of which have strengthened operational efficiency and reinforced process controls. The Company also continues to invest significantly in maintaining and upgrading its production lines, ensuring warehouse compliance with Omani regulatory standards, enhancing distribution capabilities, and supporting marketing equipment. These ongoing investments remain central to improving operational effectiveness and expanding customer reach across the Sultanate.

Further, ORC has been following its established “green initiatives” to efficiently manage both liquid and solid ‘waste’ generated during its production/bottling processes. Staff has been regularly trained in various Health, Safety and Environment (HSE) aspects with the focussed objective of strengthening HSE measures in the plant operations and various business locations that have shown tremendous benefits in safeguarding Company assets against unforeseen events and accidents.

The Company is pro-actively carrying out the development of its Omani workforce to enable them to grow in the organization by sponsoring high potential employees to pursue their higher education. The Company had maintained its staff Omanisation percentage above the legal requirement and continues to encourage & employ local workforce at every available opportunity.

The Group will continue to view its Algerian investment as a key strategic pillar for medium- to long-term growth. In the near term, management remains focused on strengthening and turning around the Algerian operations through improved execution, refined commercial strategies, and continued investment in productivity and operational capabilities.

Financial and operational performance

The ORC Parent Company achieved a net profit after tax of A 2.27m on a turnover of A 46.29m during the year 2025 against a net loss after tax of A (3.99m) on a turnover of A 40.87m in 2024, registering an increase in the net profit after tax by 157% and turnover by 13.3% respectively. The improved performance during the year reflects the Company's effective operational strategies, cost optimisation initiatives, and enhanced market positioning, despite continued regional geopolitical challenges and intense competitive pressures.

At the ORC Group consolidated, the group achieved a net profit after tax of A 3.87m on a turnover of A 68.63m during the year 2025 against a net loss after tax of A (2.78m) on a turnover of A 63.37m in 2024, registering an increase in the net profit after tax by 239% and 8.3% increase in the turnover vs Year 2024.

Environmental, Social, and Governance (ESG) Performance

It has been ORC group best endeavour towards the cause of environmental preservations, social and governance, and has achieved that by adopting world best practices within the community and market we operate. ORC parent company has invested and used the best technology and process to save water usages & recycle the used water and reduce plastic usages.

Performance of various products

The company operates in the Beverages & Juices segment as well as importing & distributing food products. Following is the contribution of various products to the company's turnover, in terms of number of cases in thousands:

Product category	2025	2024	Variance (%)
Carbonated Soft Drinks	9,283	8,068	15.06%
Water	1,691	1,713	-1.28%
Juices	2,065	3,151	-34.47%
Other Beverages	236	164	43.90%
Food	1,274	1,112	14.57%
Chilled and Frozen	148	391	-62.24%
ORC domestic	14,696	14,598	0.67%
Export	2,314	1,693	36.68%
ORC	17,011	16,291	4.42%

N.B.: The above is excluding Arabian Vending LLC & Atlas Bottling Corporation sales.

ORC Parent Financial highlights

	2025 A	2024 A	2023 A	2022 A	2021 A	2020 A
Revenue	46,292,587	40,870,748	69,476,554	76,863,585	69,290,408	63,441,144
Gross profit	15,415,901	11,069,089	22,200,000	27,322,217	26,276,327	26,796,019
Profit / (Loss) before taxation	2,661,278	-4,765,511	5,267,900	9,149,245	11,324,724	10,246,070
Taxation	-389,453	778,760	-788,928	-1,370,408	-1,714,953	-1,565,153

Net Profit / (Loss) after taxation	2,271,825	-3,986,751	4,478,972	7,778,837	9,609,771	8,680,917
Cash Dividend *	700,000	0	2,000,000	3,000,000	3,000,000	2,500,000

*Proposed dividend for 2025 is subject to shareholders’ approval at the ensuing AGM.

ORC Group Consolidated Financial highlights.

	2025 A	2024 A	2023 A	2022 A	2021 A	2020 A
Revenue	68,632,135	63,369,118	96,742,923	95,004,170	73,686,228	63,962,261
Gross profit	22,562,673	17,855,322	29,482,705	30,661,074	26,505,347	26,975,935
Profit / (Loss) before taxation	4,710,872	-3,219,735	7,322,763	8,988,730	8,865,291	10,152,901
Taxation	-841,603	444,465	-1,005,183	-1,291,156	-1,795,680	-1,567,703
Net Profit /						

(Loss) after taxation	3,869,269	-2,775,270	6,317,580	7,697,574	7,069,611	8,585,198
Cash Dividend *	700,000	0	2,000,000	3,000,000	3,000,000	2,500,000

*Proposed dividend for 2025 is subject to shareholders’ approval at the ensuing AGM.

Conclusion

As we move into 2026, the Company’s strategic priorities—enhancing operational efficiency, improving productivity, strengthening systems, driving innovation, and expanding market presence through expansions and diversifications—will remain central to building a more capable, agile, and future-ready organization. With regional geopolitical conditions showing signs of stabilization, the Company remains attentive to the increasingly competitive and price-sensitive local market and will continue prioritizing the protection and profitable reinforcement of its market share.

At the same time, the Company recognizes several external factors that may influence future performance, including evolving global geopolitical dynamics, commodity price volatility, labor-market constraints, and subdued consumer price growth.

Despite these headwinds, the Company remains optimistic about sustaining its recovery and delivering stronger financial performance in the year ahead. By leveraging its lean and efficient operating structure, advancing productivity initiatives, accelerating innovation, and deepening its consumer-centric approach, the Company is confident in its capacity to navigate the challenges ahead and drive faster, stronger, and more resilient business performance.